

CONSUMER INFORMATION

4-20-00

Conditional closing

In their competitive zeal to fulfill promises of quick decisions on mortgage loan applications, some lenders go through a form of closing by which the underwriting occurs after the closing. At such a “conditional” closing, the consumer signs all of the paperwork and commits to take the loan, but the lender only commits to lend if the consumer later meets conditions the lender sets forth, for example, employment, income, and credit checks that normally are conducted before closing, or whether a buyer can be found for the loan. The loan may ultimately not be funded, even though the consumer has granted a mortgage on the property.

The Division of Financial Institutions’ current position is that conditional closings are not lawful in Michigan.